STATE OF MAINE PUBLIC UTILITIES COMMISSION

Docket No. 98-808

December 2, 1999

BELL ATLANTIC -MAINE
Notice of Merger with GTE Corporation

ORDER APPROVING MERGER WITH GTE

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

In this Order we approve the proposed reorganization of New England Telephone and Telegraph Company (NET) d/b/a Bell Atlantic-Maine resulting from a proposed merger between Bell Atlantic Corporation and GTE Corporation. Bell Atlantic Corporation is the parent corporation of NET, which is the operating telephone utility in Maine. Our approval is subject to the condition that Bell Atlantic-Maine must follow the Service Quality Assurance Plan that was filed in this docket on September 30, 1999 and that we have access to books and records of the merged corporation that are relevant to the activities of Bell Atlantic-Maine.

On August 25, 1999, we issued an Order on Reconsideration in this case. In that Order, we discussed Bell Atlantic-Maine's claim, stated in a letter filed on October 2, 1998, that it was exempt from needing approval under 35-A M.R.S.A. § 708(2) of the proposed reorganization because of an exemption contained in the Stipulation that the Commission approved in 1993 in *New England Telephone and Telegraph Company, Investigation of Reasonableness of Rates,* Docket No. 86-224, Order Approving Affiliated Interest Stipulation (July 16, 1993). We did not decide in the August 25th Order whether Bell Atlantic's claim of exemption was correct. Instead, we stated that we would consider approval of the merger if Bell Atlantic agreed to conditions related to service reliability, quality, and provisioning. We stated that if Bell Atlantic agreed, it should file a detailed plan for addressing the problems recently experienced by its Maine customers.

On September 30, 1999, Bell Atlantic responded to the Commission's Order by filing a Service Quality Assurance Plan. We consider the filing of the Plan to be a waiver, for this case, of Bell Atlantic-Maine's claim that it is exempt from needing approval of this merger pursuant to the Stipulation in Docket No. 87-224.

We have reviewed the terms of the Plan and find it generally reasonable for addressing the service quality, service ordering and repair service concerns that we outlined in the August 25th Order. As a condition of our approval of the merger, we will require Bell Atlantic to implement and comply with the proposals contained in the Plan. Assuming that Bell Atlantic expects efficiencies in savings from this merger, as it did from the earlier merger between NYNEX and Bell Atlantic, Bell Atlantic should pursue the goals of excellent service quality, service ordering and repair service for all parts for the State of Maine with the same vigor that it pursues the goals of efficiencies or enhanced revenues that it may expect to achieve from the merger.¹

¹Bell Atlantic made no specific claims in this case of anticipated savings or efficiencies because it made no formal filing in this case beyond the letter stating that it was exempt from the approval requirement.

Under 35-A M.R.S.A. § 708(2)(A), the Commission may approve a reorganization only if "we find that the reorganization is consistent with the interests of the utility's ratepayers and investors." We make that finding in this case because of rate stability ensured by the existing alternative form of regulation (AFOR) for BA-ME and by our ability to ensure reasonable rates in the future. In addition, the reorganization is not a sale or takeover; the future parent corporation will be a merger of the existing Bell Atlantic parent corporation and the existing GTE Corporation.

We also intend to ensure that service quality remains high and, where necessary, improves, as indicated by the condition of approval described herein. We note that some of Bell Atlantic's recent service and repair problems, particularly those that have affected limited geographic areas, were not reflected in the existing Service Quality Index (SQI) that is part of the Alternative Form of Regulation (AFOR) for Bell Atlantic. We will commence a proceeding in the near future that will address renewal or revision of the AFOR. In that proceeding, we intend to examine the effectiveness of the SQI and to consider possible revisions to it.

Finally, as explained in our August 22nd Order, we see no detriment to customers that may result from a loss of a potential competitor (GTE) to BA-ME, as GTE's presence in Maine was very small.

Wherefore, pursuant to 35-A M.R.S.A. § 708(2)(A) we

APPROVE the proposed merger between Bell Atlantic Corporation (the parent corporation and an affiliated interest of New England Telephone and Telegraph Company d/b/a Bell Atlantic-Maine, a telephone utility in the State of Maine) and GTE Corporation, subject to two CONDITIONS:

- 1. that New England Telephone and Telegraph Company implement and follow the Service Quality Assurance Plan filed in this case on September 30, 1999; and
- 2. that the Commission shall have access to the books and records of the parent corporation that results from the merger and that relate to the operations of New England Telephone and Telegraph Company in Maine, to the same extent as the Commission's authority to obtain such information from a utility pursuant to 35-A M.R.S.A. § 112.

Dated at Augusta, Maine, this 2nd day of December, 1999.

BY ORDER OF THE COMMISSION

Dennis L. Keschl Administrative Director

COMMISSIONERS VOTING FOR:

Welch Nugent Diamond